

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 LISBON 2597

DEPT PASS TREASURY FOR SYVRUD

E.O. 11652: XGDS-2
TAGS: ELAB, PINT, EAID
SUBJ: NEW LABOR MINISTER TAKES HOLD

REF: (A) LISBON 2420 (NOTAL), (B) LISBON 1249 (NOTAL)

SUMMARY: IN A WIDE RANGING CONVERSATION, NEWLY APPOINTED
LABOR MINISTER MALDONADO GONELHA DISCUSSED THE POLICIES HE
INTENDS TO IMPLEMENT. THESE INCLUDE: AN ACTIVIST SOCIALIST
LABOR STRATEGY IN OPPOSITION TO THE CGTP; SUPPORT FOR
A STRONG FREE ENTERPRISE SECTOR; A REDUCED ROLE FOR
GOVERNMENT IN LABOR/MANAGEMENT NEGOTIATIONS; EFFORTS TO
BROADEN MANAGEMENT'S ATTITUDES; THE COUNTERING OF PCP ATTEMPTS
TO SABOTAGE ECONOMIC RECOVERY; THE PROMULGATION OF LEGIS-
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LATION REGULATING WORKER CONTROL OF MANAGEMENT AND
JUSTIFIED DISMISSALS; AND INCREASED LABOR COOPERATION
AMONG DEMOCRATIC PARTIES IN OPPOSITION TO THE PCP IN LABOR
AREA. THE MINISTER HAS OUTLINED A HERCULEAN TASK FOR HIMSELF.
HIS EXPERIENCE AND DETERMINATION GIVE HIM A REASONABLE CHANCE
OF ACCOMPLISHING AT LEAST SOME OF HIS OBJECTIVES. END SUMMARY.

1. ANTONIO MALDONADO GONELHA BECAME LABOR MINISTER MARCH 24 (REF A). A MARCH 29 LUNCH WITH THE NEW MINISTER AND WITH THE PRIME MINISTER'S LABOR ADVISOR, PELAGIO MADUREIRA, PROVIDED AMBASSADOR AND LABATT OPPORTUNITY FOR USEFUL EXCHANGE OF VIEWS. MAJOR POINTS MENTIONED BY MINISTER ARE SUMMARIZED BELOW.

2. SOCIALIST PARTY LABOR STRATEGY: MINISTER LEFT NO DOUBT THAT HE WILL PLAY THE MAJOR ROLE IN DETERMINING SOCIALIST PARTY'S LABOR POLICY. HE STATED THAT BY WORKING NIGHTS HE HAD FINALLY FINISHED DRAFTING TEXT OF PARTY LABOR STRATEGY PAPER, APPROVED IN GENERAL TERMS BY PS NATIONAL COMMITTEE FEB 12 (REF B). MALDONADO EXPECTED POLICY PAPER TO BE CIRCULATED AND APPROVED WITHIN PARTY BY END OF APRIL. PAPER ATTACKS HITHERTO SACROSANCT THEME OF "LABOR UNITY," ARGUING THAT THERE IS NO MORE LOGIC IN A COUNTRY HAVING ONLY ONE LABOR CONFEDERATION THAN THERE IS IN ITS HAVING ONLY ONE POLITICAL PARTY. FROM TIME TO TIME THE INTERESTS OF VARIOUS LABOR FACTIONS WILL COINCIDE, AND THEN THERE CAN BE MEANINGFUL UNITY OF PURPOSE AND ACTION. MALDONADO'S PAPER PROPOSES THAT THE SOCIALIST PARTY CONCENTRATE ON CAPTURING CONTROL OF INDIVIDUAL UNIONS AND ON BUILDING STRENGTH OUTSIDE THE LISBON INDUSTRIAL AREA, USING WHATEVER TACTICS (PARALLEL UNIONS, JURISDICTIONAL DIVISIONS) ARE NECESSARY. THE SOCIALISTS SHOULD DEEMPHASIZE IDEOLOGICAL THEMES AND INSTEAD CONCENTRATE ON PROMOTING SOCIAL PROGRESS AND ON GUT ISSUES OF IMMEDIATE INTEREST TO THE WORKERS. SOCIALIST LABOR POLICY WILL SUPPORT THE GOVERNMENT'S CONFIDENTIAL

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15 PERCENT LIMITATION ON WAGE INCREASES BY DEMONSTRATING THAT IT IS IN LONG-TERM INTEREST OF WORKERS. WHILE THE EVENTUAL FORMATION OF A SECOND LABOR CONFEDERATION, IN OPPOSITION TO THE CGTP, IS IMPLICIT IN MALDONADO'S STRATEGY, IT IS NOT AN IMMEDIATE PS OBJECTIVE.

3. ATTITUDE TOWARD PRIVATE SECTOR: MINISTER EMPHASIZED THE NECESSITY AND IMPORTANCE OF A HEALTHY FREE ENTERPRISE SECTOR FOR THE SURVIVAL OF POLITICAL DEMOCRACY IN PORTUGAL. HE GAVE EXAMPLES OF DISPUTES IN WHICH HE COUNSELLED MANAGEMENT TO TAKE A HARD LINE TOWARD WORKERS IN CASES OF UNJUSTIFIED STRIKES. HE HAS OPPOSED RETROACTIVE PAYMENT OF WAGES FOR TIME LOST DURING STRIKES. HE WAS FIRST IN LABOR MINISTRY TO CONDONE, IN CASES OF SLOWDOWNS, THE REDUCTION OF WORKERS' WAGES PROPORTIONAL TO THE AMOUNT OF LOST PRODUCTION, A TACTIC WHICH HAS HAD CONSIDERABLE SUCCESS IN RESTORING PRODUCTIVITY.

4. FOREIGN INVESTMENT: AMBASSADOR COMMENTED THAT A NUMBER OF

AMERICAN BUSINESSMEN HAD NOTED DECIDED IMPROVEMENT IN LABOR PRODUCTIVITY AND A DECLINE IN ABSENTEEISM. FOREIGN INVESTORS PROBABLY WOULD NOT PROVIDE NEEDED CAPITAL, HOWEVER, UNTIL PENDING LABOR LEGISLATION IS IN FORCE AND PORTUGAL NEGOTIATES SETTLEMENT OF LONGSTANDING PROBLEMS WITH AMERICAN COMPANIES. MINISTER AGREED AND MENTIONED SEVERAL CASES (INCLUDING ITT) WHERE IT WOULD BE IN GOP'S INTEREST TO BEGIN NEGOTIATIONS.

5. ATTITUDE TOWARD GOVERNMENT INTERVENTION IN ALBOR/ MANAGEMENT NEGOTIATIONS: MINISTER REGRETTED PAST PORTUGUESE GOVERNMENT PRACTICE OF PLAYING THE DECISIVE ROLE IN NEARLY

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ALL COLLECTIVE CONTRACT NEGOTIATIONS. DURING FIRST TWO YEARS AFTER 1974 REVOLUTION, UNIONS HAD PRESSURED MINISTRY TO IMPOSE NEW CONTRACTS. NOW THAT PS GOVERNMENT IS LIMITING WAGE INCREASES TO 15 PERCENT, MANAGEMENT ASSOCIATIONS ARE BESEECHING THE LABOR MINISTRY TO PROMULGATE COLLECTIVE CONTRACTS FOR THEIR RESPECTIVE SECTORS. MALDONADO STATED HE HOPES TO DRASTICALLY REDUCE THE

MINISTRY'S ROLE IN THE BARGAINING PROCESS, RESERVING IT FOR THE LAST RESORT IN CASES OF NATIONAL INTEREST. THROUGH HIS EFFORTS THE NUMBER OF GOVERNMENT IMPOSED CONTRACT SETTLEMENTS HAS ALREADY BEEN REDUCED BY 70 PERCENT FROM THE LEVEL OF 1975.

6. NEED FOR IMPROVED MANAGEMENT ATTITUDES: MALDONADO
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STATED THAT PORTUGUESE MANAGEMENT HAS NEVER BEFORE KNOWN THE NECESSITY OF REACHING AN AGREEMENT WITH THE UNIONS THROUGH A BARGAINING PROCESS. AMERICAN MANAGERS HERE WERE FAR ADVANCED OVER THEIR PORTUGUESE COUNTERPARTS IN THIS RESPECT. A GOOD MANAGEMENT TRAINING PROGRAM WOULD GO FAR TO REDUCE FUTURE LABOR/MANAGEMENT MISUNDERSTANDINGS. THE AMBASSADOR SUGGESTED SEVERAL AREAS WHERE U.S. ASSISTANCE MIGHT BE USEFUL, INCLUDING A MANAGEMENT TRAINING SCHOOL AS WELL AS VISITS TO THE UNITED STATES BY LABOR/MANAGEMENT TEAMS.

7. ATTITUDE TOWARD PCP AND CGTP: MINISTER SAID HE WAS ONE OF FEW NON-PCP FOUNDERS OF INTERSINDICAL, FORERUNNER OF THE CGTP LABOR CONFEDERATION. HE LEFT INTERSINDICAL IN APRIL, 1974, FOLLOWING PCP TAKEOVER. HE HAS REFUSED TO RECEIVE REPRESENTATIVES OF INTERSINDICAL/CGTP EVER SINCE AND HAS MADE NO SECRET OF HIS ENMITY TOWARD THE COMMUNISTS. SEVERAL WEEKS PREVIOUSLY, HOWEVER, HE DID FORM PART OF A GOVERNMENT DELEGATION WHICH OPENED PRELIMINARY DISCUSSIONS WITH THE CGTP REGARDING A POSSIBLE SOCIAL PACT. HE BELIEVES THE CGTP REDUCED LABOR TENSIONS IMMEDIATELY THEREAFTER, AND THAT THE CURRENT RELATIVELY MODERATE PCP LABOR STANCE IS A TACTICAL MOVE DESIGNED TO OBTAIN FAVORABLE TERMS FROM A SOCIAL PACT. HE STATED THAT THE PCP HAS THREE PRIME SHORT TERM OBJECTIVES:
-- RECOGNITION OF THE CGTP AS THE SOLE REPRESENTATIVE ORGANIZATION FOR PORTUGUESE LABOR;
-- LEGALLY RECOGNIZED AND BROADLY DEFINED WORKER CONTROL;
-- CRIPPLING OF THE GOVERNMENT'S PROGRAM OF "DISINTERVENING" PRIVATE BUSINESSES.

8. ATTITUDE TOWARD POSSIBLE PCP PRESSURES: MINISTER SAID THE PCP-CONTROLLED SOUTHERN HOTEL WORKERS UNION MAY TRY TO SABOTAGE RECOVERY OF THE VITALLY IMPORTANT TOURIST INDUSTRY BY THREATENING A MAJOR HOTEL STRIKE. IF SO, HE WILL IMMEDIATELY REQUISITION ALL HOTELS, THUS MAKING ANY STRIKE ILLEGAL. MOST HOTEL WORKERS WOULD NOT FAVOR A STRIKE IN
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ANY CASE AND THE STRIKERS COULD BE DISMISSED FOR JUST CAUSE. REQUISITION DECREE IS ALREADY PREPARED SO IT CAN BE ISSUED WITHOUT DELAY, THUS BLUNTING IMPACT OF ANY STRIKE ANNOUNCEMENT. MALDONADO ALSO NOTED HE HAD ISSUED ORDERS THAT NEGOTIATIONS WILL NOT BE CONDUCTED WITH ANY UNION WHILE DEMONSTRATORS ARE OUTSIDE MINISTRY, A SIGNIFICANT REVERSAL OF EXISTING PRACTICE.

9. LEGISLATION ON WORKERS CONTROL: AMBASSADOR MENTIONED THE CONCERN OF SOME AMERICAN MANAGERS OVER SOCIALIST PROPOSED "WORKERS CONTROL" LEGISLATION WHICH ALLOWS ELECTED WORKERS COMMISSIONS ACCESS TO A COMPANY'S FINANCIAL DATA AND REQUIRES THEIR APPROVAL OF COMPANY RESTRUCTURING. MINISTER INDICATED FUTURE CHANGES TO CONCEPT OF "WORKER CONTROL" ARE STILL PROBABLE AND THAT CURRENT PS MEASURE IS FAR BETTER THAN EARLIER PCP PROPOSAL. NEWLY PASSED LEGISLATION GOVERNING THE ELECTION OF WORKERS' COMMISSIONS CONTAINS PROVISIONS ON VOTING AT WORK SITE FACILITATING THE BROADEST POSSIBLE WORKER PARTICIPATION. THESE PROVISIONS WERE DESIGNED TO LESSEN THE LIKELIHOOD OF PCP MINORITIES CAPTURING CONTROL OF THE WORKERS COMMISSIONS. THE MINISTER NOTED THAT THE ORIGINAL DRAFT OF THIS LAW ALSO MADE THESE PROVISIONS MANDATORY FOR UNION ELECTIONS AS WELL, BUT THE PROVISIONS WERE MADE OPTIONAL FOR UNION ELECTIONS BY SOMEONE ON THE PRESIDENT'S STAFF BEFORE THE PRESIDENT SIGNED THE LAW. MALDONADO SPECULATED THAT THE PRESIDENCY BELIEVED THAT SUCH DETAILED REGULATION OF UNION ELECTIONS VIOLATED CONSTITUTIONAL GUARANTEES OF UNION INDEPENDENCE AND THAT THE PRESIDENT DID NOT WISH TO RISK

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BEING OVERRULED BY THE CONSTITUTIONAL COMMISSION.

10. LEGISLATION ON JUSTIFIED DISMISSALS: AS A RESULT OF A PCP INITIATIVE, THE NATIONAL ASSEMBLY IS ALSO CONSIDERING A NEW LAW REGULATING "JUSTIFIED DISMISSALS", WHICH WILL REPLACE THE CURRENT DECREE LAW. A LARGE PART OF THE IMPROVED LABOR PRODUCTIVITY IS DUE TO MANAGEMENT'S RECENT ABILITY TO DISMISS WORKERS FOR FLAGRANT CASES OF INDISCIPLINE OR REPEATED ABSENTEEISM. MINISTER SAID THE NEW LAW NOW BEFORE ASSEMBLY, HOWEVER, THREATENS TO MAKE SUCH DISMISSALS IMPRACTICAL. PSD EFFORTS TO INCLUDE LEGAL AND PROCEDURAL SAFEGUARDS FOR WORKERS IN THE LAW PLAYED INTO PCP HANDS. OTHER PENDING LEGISLATION MAKES IT POSSIBLE
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FOR UNIONS TO NEGOTIATE FOR AUTOMATIC DUES CHECK OFF, BUT INDIVIDUAL WORKERS MUST INDICATE THEIR APPROVAL IN WRITING, THUS LIMITING PCP ABILITY TO PRESSURE WORKERS.

11. ATTITUDE TOWARD OTHER POLITICAL PARTIES: MINISTER STATED THAT PSD AND CDS WERE PARTIES WHICH SHARED DEMOCRATIC VALUES WITH PS. IF SOARES APPROVES, MALDONADO PROPOSES TO HOLD WEEKLY MEETINGS TO COORDINATE LABOR PLANS WITH PSD LABOR ADVISOR MARIO PINTO AND CDS SECRETARY GENERAL BASILIO HORTA. HE ASSERTED FLATLY THAT THE PS WOULD FORM LABOR COALITIONS WITH THE PSD. ON THE OTHER HAND, MINISTER SAID THE PCP IS ANTI-DEMOCRATIC AND HE CAN FORESEE NO CIRCUMSTANCES WHERE THE PS WOULD IDENTIFY ITS INTERESTS WITH THOSE OF THE PCP.

12. ATTITUDE TOWARD SOCIAL PACT: MALDONADO AGREED WITH AMBASSADOR THAT ADVANCE PUBLICITY, SOME OF WHICH HAS BEEN GENERATED BY SOARES, REGARDING A POSSIBLE SOCIAL PACT HAS GIVEN WORKERS UNJUSTIFIED EXPECTATIONS
OF THE BENEFITS TO BE OBTAINED.

13. TAKING HOLD IN THE MINISTRY: MALDONADO STATED THAT HE HAD STOPPED EVERYTHING IN THE MINISTRY UNTIL HE COULD PLACE PERSONS OF CONFIDENCE IN KEY POSITIONS. HE WAS

KEEPING ONLY TWO OUT OF CURTO'S STAFF OF NINETEEN. HE HAS GREAT CONFIDENCE IN THE LABOR STATE SECRETARY, CUSTODIO SIMOES, AND HIS OWN CHIEF OF STAFF, VALDEMAR MOTA. MALDONADO EXPRESSED SATISFACTION THAT SOARES IS NAMING HIS PREDECESSOR, MARCELO CURTO, AS "PORTUGUESE AMBASSADOR TO THE ILO, RESIDENT IN GENEVA." CURTO WILL THUS BE INVOLVED IN WORK HE ENJOYS AND AWAY FROM THE NATIONAL ASSEMBLY, WHERE HE COULD CAUSE MISCHIEF.

14. NEED FOR U.S. ASSISTANCE: MALDONADO EXPRESSED GREAT SATISFACTION WITH THE STATISTICAL AND MANPOWER TRAINING RECEIVED IN THE UNITED STATES BY LABOR MINISTRY EMPLOYEES UNDER USAID SPONSORED PROGRAMS. HE HOPED IT WOULD BE CONFIDENTIAL

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POSSIBLE TO SEND SAFETY AND LABOR INSPECTORS FOR TRAINING.

15. COMMENT: WITH MALDONADO, MADUREIRA, AND SIMOES, THE PS HAS FOR THE FIRST TIME A UNITED LEADERSHIP CAPABLE OF PROVIDING A CONSISTENT POLICY IN LABOR AFFAIRS. MALDONADO HAS ASSUMED HIS NEW RESPONSIBILITIES WITH SELF ASSURANCE. HE HAS A GOOD GRASP OF THE PROBLEMS AND THEIR COMPLEXITY, AND HAS DEMONSTRATED HIS WILLINGNESS TO TACKLE DIFFICULT ISSUES, LEAVING IT TO OTHERS TO PROPOSE A BETTER ALTERNATIVE OR ACCEPT HIS SOLUTION. HIS APPOINTMENT SHOULD HELP TO REESTABLISH BUSINESS CONFIDENCE. THE MAJOR QUESTION SEEMS TO BE WHETHER ANY LABOR MINISTER, HOWEVER ENERGETIC, CAN RESOLVE THE ACCUMULATED PROBLEMS OF YEARS AND AT THE SAME TIME FORESTALL PCP LABOR AGITATION DURING A PERIOD OF AUSTERITY. CARLUCCI

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